

# LAND & LIBERTY

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TWO SHILLINGS



## EDITORIAL

### The Support Grows

AMONG a number of articles on the subject of land-value taxation that appeared last month in various newspapers and magazines, one entitled "Next Step But One for Land" in *The Economist*, May 16, came nearest to giving full support. Criticising both Conservative and Labour policies for land, the article says: "Far from making whoopee at the prospect of 3,500,000 more people in the costly acres of south-eastern England, the property market is going hot and cold all over for fear of a Labour Government in the autumn. Labour's declared policy would, indeed, knock speculation on the head, but at the same time would lay out stone cold the desirable impetus to voluntary development."

"Neither party has, in fact, solved the built-in conundrum of planned development: how, if you direct increases in population to particular bits of the map, do you prevent land owners there making a killing, while at the same time encouraging the people who will need to make a fair profit out of producing new buildings? Since the very phrase "development value" (let alone the associated phrase "land nationalisation") is one of the most emotive and least objectively considered by any political party, it is important in an election year to set out some of the possible solutions."

*The Economist* examines the Labour Party's Development Charge under the 1947 Town and Country Planning Act and condemns it as a complete failure and "bureaucracy run wild" but, it says, the Conservatives, although repealing the development charges and setting up a system of taxation for loss of development rights through the withholding of planning permission, did so "without . . . the

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obvious corollary of collecting betterment from people whose property has been made more valuable by the action of a public authority, such as the making of a road or simply scheduling agricultural land for housing or industrial use. Everyone knows of farmers whose holdings have, overnight, multiplied ten or even a hundred times in value."

The Conservatives' system, says *The Economist*, has in extreme cases undermined the whole idea of planning control because the checking of the over-development of offices in central London was made financially impracticable. The L.C.C. would have had to incur enormous expenditure on compensation by extinguishing development rights. The cost would then have been up to £10 per square foot for potential office space. This experience is repeated outside London, and the irony of it is that many local authorities cannot avoid through their own actions multiplying many times the market price they have to pay for land needed for roads, schools and houses.

Discussing Sir Keith Joseph's method of dealing with the problem, which is to pay the market value of land for the use to which it is to be put, less the increase brought about by the amenities to be provided by the authorities, *The Economist* says: "The trouble is that in a generally rising market it is going to be pretty hard to decide the right price when it comes to the actual moment of purchase because everybody has had since mid-March to gamble on the new locations."

Examining the Labour Party's proposals for a Land Commission, *The Economist* calls them disastrous. The important problem of land use is that of persuading users of under-used land to bring it forward for redevelopment at higher densities, and this will not be done voluntarily if Labour's scheme becomes law. The only action then left would be for the public authorities to make compulsory purchase orders, but this, says *The Economist*, is no way to speed up the national building programme. The shortage of available land would make houses and other buildings more expensive. Public building would also be delayed because owners would once again resist compulsory purchase orders to the last ditch. Labour's scheme, says *The Economist*, even if applied, would obviously have to be replaced by something else.

After referring to a proposal suggested by some Labour Party leaders in 1961 — the nationalisation of all freeholds at one stroke — *The Economist* dismisses it as being most unlikely to be authorised. Mr. Wilson would not risk antagonising the many millions of inhabitants of owner-occupied houses. *The Economist* then comes to the taxation of site values — "that old academic favourite" — and this is described as a better alternative. Cautiously speaking of "some variant" of the taxation of site values, *The Economist* says it would have great attractions under modern conditions. There then follows a fair description of site-value taxation and its advantages.

One objection referred to is that an authority could

### "Logically Unanswerable"

**THE ECONOMIST** is at last coming round to thinking about site-value taxation. This is encouraging.

What *The Economist* says today, others will be saying tomorrow.

We are not "mad enthusiasts." Nevertheless we believe the case to be logically unanswerable.

—City Press, May 22.

raise its own income simply by drawing a line on the town map, but this is answered by the suggestion that if the site-value levy were paid to the central Government as part of a general wealth tax, combined perhaps with some additional capital levy at the time of sale (if the selling price were above a certain level per acre), the direct participation of the local authority as both tax collector and tax demander could be avoided.

Certainly we have no objection to land value taxation applied nationally. With periodic revaluations and reassessment of tax, however, the refinements of a "wealth tax" and capital levy would not be necessary and would only confuse the issue.

As for local authorities being tempted to increase their income by re-zoning land, we consider this to be ill-founded. In any case, the more land released for development, the lower would become the market value of all land, and apart from anything else, local authorities are responsible bodies not likely to jeopardise wise town planning for the sake of illusory financial gain.

This however, is not to argue against a national tax on land values as such.

*The Economist* article concludes: "The assessment of site values for taxation purposes would take some time. It may be that Britain is fated to go through yet another phase of another land policy which fails before the country will come round to it. Labour's present proposal for 'nationalisation of freeholds' provides a depressingly likely candidate for such a failure. But if the aim of securing the most cheap and efficient voluntary use of land within a planning framework is to be achieved, it is a fair guess that some system on the lines suggested here will eventually have to be introduced, if not by the next Government then by the next Government-but-one."

Covering similar ground, the editorial column of the *Financial Times*, May 9, presents what it considers to be the two main requirements of any land policy — the speeding up of the release of land for development so as to keep its price down, and the securing for the community of the increases in land value brought about by planning permission.

Neither major party yet seems to have found the right answer. Labour's plan would involve administrative difficulties, particularly with the many independent valua-

tions that would have to be made; scope for administrative delay would be formidable. Labour's Land Commission could also discourage owners from bringing their land forward, especially if there were hopes that the Tories might shortly return to power.

The *Financial Times* has little faith in the present Government's policy as things stand, for it says: "About two-thirds of the land needed for re-building the South-East will simply change hands in the market at prices which have been pushed up sharply by planning decisions."

Commenting that there is room for some new practical suggestions, three proposals are advanced:

- (1) Compulsory registration of titles to land.
- (2) More ready use of compulsory purchase.
- (3) A tax that would reflect the value of land that is raised by the decisions of planners.

The first of these proposals we endorse, the second we

feel unnecessary if the right remedy is applied, and the third, while it makes some approach to the question of land values and who enjoys them, is inadequate for the job whichever way it is interpreted, since as envisaged it would apply to only those increases in land values where change of use takes place.

Recognising the weaknesses and inadequacies of both Labour and Tory policies, the *Financial Times* nonetheless makes the same mistake of not looking at the whole picture. Our present and future problems of municipal and private development, or oppressively high land prices, speculation and land "shortage" are not to be solved by piecemeal legislation. Too much of that has been tried unsuccessfully in the past. Not until we adopt the bold and full policy of land-value taxation applied to *all* land and *treating all land owners alike*, will the community as a whole ever be able to realise the full benefits of material progress and the great potential that lies ahead.

## NOTES AND NEWS

Prosperity — Promise and Performance —  
Radio "Pirates" — Another Crop of Subsidies.  
Bahama Bonanza



### NO GROUNDS FOR OPTIMISM

"IT IS TRUE that disappointment has followed disappointment. Discovery upon discovery and invention after invention have neither lessened the toil of those who most need respite nor brought plenty to the poor. But there have been so many things to which it seemed this failure could be attributed that up to our time the new faith has hardly weakened. We have better appreciated the difficulties to be overcome, but not the less trusted that the tendency of the times was to overcome them."

So wrote Henry George in 1879, and eighty-five years later that faith in the efficacy of material progress to extirpate poverty has not weakened. To be sure, nobody today believes that a free market alone will solve the problem, but with the enormous forces for production now at our disposal, and with intelligent direction and planning of the economy, it is unquestionably asserted that man can cure want and poverty. We haven't done it yet, but we are on the point of doing it now. Such is the extent of man's faith in his own ability. Oxfam. War on Want, Christian Aid, Food for Peace, Alliance for Progress, War on Poverty—all these reflect the unbounded confidence of man to (ultimately) solve the poverty problem.

In Britain all three political parties are promising an earthly paradise if only they are returned to power at the coming election. A year ago Lord Hailsham told us: "For the first time in the history of the human race I

believe that we are in sight of an age when industrial production could be on a scale to banish want altogether."

Now the Twentieth Century Fund in America has produced a report which gives, in the words of *The Times* (April 29), "A superbly confident picture of the American economy—prosperous, strong, and with ample resources to cope with such persistent problems as unemployment, poverty and the social needs of the people."

"Barring war or national disaster," the report states, "responsible Americans believe that perhaps for the first time in its history the United States will have the energy and the resources to erase its shortcomings and to build the kind of nation that was dreamed of by the men who originally created it."

But all these attempts at eliminating poverty, all these actions by government and private agencies, are aimed at one thing—to increase production. But the problem is not one of production but of distribution. How can the problem of poverty ever be solved without regard to the distribution of wealth? Governments have accepted the problem of poverty as part of the natural order of things, to be overcome by their beneficent intervention. They have ignored the lessons of the free market; they have attempted to override economic laws with laws of their own making; they have contrived to plan and control man's environment. Yet with all the Government action, particularly over the last fifty years, the problem of poverty is no nearer to being solved—no nearer even to being understood.